

CAMERON COUNTY, TEXAS

INTERNATIONAL TOLL BRIDGE SYSTEM

FINANCIAL STATEMENTS AND

INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED

SEPTEMBER 30, 2018

**CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM**

SEPTEMBER 30, 2018
TABLE OF CONTENTS

Title Page	i
Table of Contents	iii
Letter of Introduction	v
Independent Auditors' Report	vii
Management's Discussion and Analysis	ix
 International Toll Bridge System Statement of Net Position	 1-2
 International Toll Bridge System Statement of Revenues, Expenses and Changes in Net Position	 3
 International Toll Bridge Systems Statement of Cash Flows	 4
 International Toll Bridge System Notes to the Financial Statements	 5-17
 Independent Auditors' Report on Supplementary Information	 19
 International Toll Bridge System Schedule of Insurance Coverage	 21
 Gateway International Toll Bridge Statement of Net Position	 23-24
 Gateway International Toll Bridge Statement of Revenues, Expenses and Changes in Net Position	 25
 Free Trade Bridge at Los Indios Bridge Statement of Net Position	 26-27
 Free Trade Bridge at Los Indios Bridge Statement of Revenues, Expenses and Changes in Net Position	 28
 Veterans International Toll Bridge Statement of Net Position	 29-30
 Veteran's International Toll Bridge Statement of Revenues, Expenses and Changes in Net Position	 31
 Cameron County International Toll Bridge System Schedule of Combined Debt Service Requirements	 33
 \$7,950,000 International Toll Bridge System Revenue Bonds, Series 1998	 34
 \$4,494,300 Certificates of Obligation, Series 2011	 35
 \$6,031,272 Refunding, Series 2015	 36
 Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Governmental Auditing Standards	 37-38



**COUNTY AUDITOR
CAMERON COUNTY, TEXAS
1100 MONROE ST.
P.O. BOX 3846
BROWNSVILLE, TEXAS 78520
(956) 544-0822**

**Martha Galarza, CPA
COUNTY AUDITOR**

March 28, 2019

Hon. County Judge, Eddie Trevino
Hon. Commissioner Pct. 1, Sofia Benavides
Hon. Commissioner Pct. 2, Joey Lopez
Hon. Commissioner Pct. 3, David Garza
Hon. Commissioner Pct. 4, Gus Ruiz
Cameron County Courthouse
Brownsville, Texas

Honorable County Judge and Commissioners:

The Cameron County International Toll Bridge System Annual Financial Report for the fiscal year ended September 30, 2017 is hereby submitted in compliance with Chapter 114 of Vernon's Texas Annotated Code, Local Government. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosure, rests with the County Auditor, as Chief Finance Officer of the County. To the best of my knowledge, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of Cameron County, including all disclosures necessary to enable the reader to gain an understanding of the Cameron County International Toll Bridge System's financial activities.

The management of the Cameron County International Toll Bridge System is responsible for maintaining an internal control system designed to insure that the assets of the System are protected from loss or misuse and to provide reasonable assurance as to the integrity and reliability of the financial statements. The system of internal control provides for segregation of duties and is documented by written policies and procedures. The Cameron County Auditor's Office also has an internal audit function to review the operations of the system for effective internal control and compliance with statutory requirements.

The Cameron County International Toll Bridge System financial statements have been audited by Burton McCumber & Longorie, L.L.P., Independent Certified Public Accountants who were engaged by the Cameron County Commissioners Court for the purpose of expressing an opinion on those financial statements. County management has made available to the independent auditors direct access to County officers and employees and all of the County's financial records and related data.

Sincerely,

Martha Galarza, CPA
County Auditor



For additional information regarding the
Cameron County International Toll Bridge System

Please contact:

David A. Garcia
Cameron County Administrator
1100 E Monroe
Brownsville, Texas 78521
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INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge and
Commissioners' Court
Cameron County, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the International Toll Bridge System of Cameron County, Texas, an enterprise fund of Cameron County, as of and for the year ended September 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the International Toll Bridge System of Cameron County, Texas, as of September 30, 2018, and the respective changes in net position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages ix - xviii be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the International Toll Bridge System of Cameron County, Texas' basic financial statements. The Letter of Transmittal and Statistical Information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Letter of Transmittal and Statistical Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we do not express an opinion or provide any assurance on it.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the International Toll Bridge System and do not purport to, and do not present fairly the financial position of Cameron County, Texas, as of September 30, 2018, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2019, on our consideration of the International Toll Bridge System of Cameron County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the International Toll Bridge System of Cameron County, Texas' internal control over financial reporting and compliance.

Burton, McCumber, & Longoria LLP

Brownsville, Texas
March 28, 2019

CAMERON COUNTY INTERNATIONAL TOLL BRIDGE SYSTEM

Management's Discussion and Analysis

September 30, 2018

This discussion and analysis of the Cameron County International Toll Bridge System's financial performance provides an overview of the financial activities for the fiscal year ended September 30, 2018 and 2017. The MD&A should be read in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements. The Cameron County International Toll Bridge System is an enterprise fund of Cameron County and is self-sustaining for all of its operations as well as serving as a valuable funding tool for the County. This system is composed of three international bridges concentrated for the most part in the southernmost part of the county. Cameron County purchased Gateway International Toll Bridge on April 14, 1962 and operated it as its only bridge until November 2, 1992, when the Free Trade Bridge at Los Indios became operational. The Veterans International Bridge at Los Tomates commenced operation on April 30, 1999. Two of the bridges, Gateway International Bridge and the Veterans International Bridge at Los Tomates are located in the City of Brownsville, while the Free Trade Bridge at Los Indios is located eight miles south of Harlingen and San Benito. The County owns the north half of each bridge and collects tolls from vehicles going southbound into Mexico. While Gateway International Bridge serves exclusively as a consumer bridge, with both passenger vehicles and pedestrians, the Free Trade Bridge at Los Indios and Veterans International Bridge at Los Tomates are designed for both consumer and commercial traffic. In FY2018, the Cameron County International Toll Bridge System generated \$19,894,031 in revenues, of which \$6,334,111 provided for general operations, \$8,407,995 was transferred to Cameron County's general fund and \$3,390,651 provided aid to other governments per interlocal agreements with municipalities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The International Toll Bridge System's financial statements consists of the statement of net position, statement of revenues, expenses, and changes in net position, and the statement of cash flows. These financial statements are supported by the notes to the financial statements and debt schedules. This overview and analysis is intended to serve as an overview to the International Toll Bridge System financial statements.

Condensed Financial Position Statement

The Bridge's assets, liabilities and net position are presented in the statement of net position. The difference between assets and liabilities is the net position. Increases or decreases to net position may indicate an improvement or deterioration of the Bridge's financial condition.

	FY2018	FY2017
Current and other assets	\$ 17,523,473	\$ 16,901,573
Capital assets (net of depreciation)	24,481,806	24,639,558
Deferred outflow of resources	388,958	1,116,210
Total Assets	42,394,237	42,657,341
Current and other liabilities	6,616,298	5,320,209
Long term liabilities	10,578,949	12,918,872
Deferred inflow of resources	404,563	217,097
Total Liabilities	17,599,810	18,456,178
Net position:		
Net investment in capital assets	16,095,236	15,451,339
Restricted	5,472,664	6,374,109
Unrestricted	3,226,527	2,375,715
Total net position	\$ 24,794,427	\$ 24,201,163

Fiscal Year 2018 Analysis

Bridge system net assets exceeded its liabilities by \$24,794,427. Total net position increased by \$593,264 (2.5%) in comparison to FY2017. This increase in net position is due to increases in toll bridge traffic in combination with modest increases in operating expenses and debt principal payments. Although revenue from bridge traffic increased by 1.5% in comparison to FY17, expenses in personnel, operations and depreciation increased by 2.9% .

The Bridge system restricted assets includes \$1,596,58 for capital improvements to the system. Cameron County construction on the Veteran's International Bridge expansion has increased the traffic lanes from four to eight lanes. This international bridge currently operates both a SENTRI lane and a FAST lane thus exhausting the prior 4 lane bridge capacity. Coordinated Infrastructure Funds (CIF) totaling \$6.25 million were provided by Texas Department of Transportation (TxDOT) with the engineering phase reimbursement at 80% assisting in this expansion project. With the completion of this project, commercial traffic is now separated from passenger traffic. Connectivity on the southbound side of Veteran's Bridge is in a highly commercial and retail area of the community. This bridge ties directly into the city's inner and outer loops facilitating airport travel and connectivity to Monterrey highway. The City of Matamoros has funded significant infrastructure improvements thus alleviating pedestrian and vehicular mobility in this area and improving access for border crossing traffic.

The International Toll Bridge System completed an upgrade to the toll collection system at a cost of \$1,445,603 in FY15. This upgrade has enhanced collection functionality and provided much quicker traffic reporting data. Projects are ongoing to replace or install toll canopies at all bridges.

The system's net investment in capital assets (toll bridge and approaches, toll booths and equipment, administration buildings, furniture, fixtures and equipment, and vehicles) is \$16,095,236. Net investment in capital assets have increased in comparison for FY2017 figures of \$15,451,339 due to completion of capital improvement projects.

The Bridge system has other restricted assets of \$3,876,606 for bond debt service, bond debt reserve and general operating reserve.

Unrestricted assets increased from \$2,375,715 to \$3,226,527. This increase in unrestricted assets is due to construction projects that were completed this year and revenue growth from increased crossings.

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Summary of Operations and Changes in Net Position

The statement of revenues, expenses, and changes in net position reflect a comparison for FY2018 and 2017. Changes in revenues and expenses are monitored monthly and compared to budgetary data. Any operating modifications are addressed by the Bridge Director. This table summarizes the operations for FY2018 and 2017.

	FY 2018	FY 2017
Revenues		
Tolls	\$19,434,122	\$ 19,145,753
Rental income	457,150	430,200
Gain on sale and miscellaneous	2,759	740
Investment earnings	168,078	87,714
Total Revenues	20,062,109	19,664,407
Expenses:		
Personnel services	4,047,776	4,276,421
Operations & maintenance	697,980	563,562
Depreciation	1,677,638	1,494,128
Total expenses	6,423,394	6,334,111
Increase (decrease) in net position before transfers	13,638,715	13,330,296
Aid to other governments	(3,366,842)	(3,390,651)
Transfers Out	(9,605,384)	(8,985,432)
Interest and fiscal fees	(523,562)	(588,369)
Increase (decrease) in net assets	142,927	365,844
Net Position - beginning	24,201,163	23,527,769
Prior Period Adjustment	450,337	307,550
Total net position - end of year	\$ 24,794,427	\$ 24,201,163

Total operating revenues were \$19,891,272, an increase of \$315,319 over fiscal year 2017. Toll revenue increased minimally by 1.51% due to infrastructure improvements and traffic fluctuations in both passenger and commercial traffic. Concessionaire and rental income increased by 6.26% due to growth in concessionaire income.

Operating expenses increased by \$89,283 from FY2017 levels, a nominal increase of 1.4%. This increase in operating expenses is attributable to implementation of GASB 68 and GASB75 which require new reporting standards for public pension plans and participating employers and general operational increases and personnel costs. Actuarial assumptions for determining the pension liability as of December 31, 2017 were based on the results of an actuarial experience study for the period ending December 31, 2017, except where required to be different per GASB 68. Recognition of costs per GASB 68 were allocated to International Toll Bridge system based on census data as of the report date. Non-operating cost of depreciation increased by \$183,510 due to full year depreciation on projects completed in FY17. Changes in net position of \$142,927 were due to the ability to leverage increased operating expenses to the conservative increase in bridge crossings. A prior period adjustment of \$450,337 is due to GASB75 implementation for employer contributions after the measurement period.

Aid to other governments decreased by \$23,809 per interlocal agreements; transfers to General Fund increased by \$619,952 and interest and fiscal fees increased by \$64,807.

Notes to the Financial Statements

The notes to the Toll Bridge's financial statements can be found on pages 5 – 15 of this report. These notes provide additional information that is essential to a full understanding of the financial statements.

Capital Assets and Debt Administration

Capital Assets

The Bridge's investment in capital assets, net of accumulated depreciation as of September 30, 2018 and 2017 is as follows:

SUMMARY OF CAPITAL ASSETS, NET

	FY 2018	FY 2017
Toll bridges and approaches	\$ 36,852,797	\$ 35,250,823
Toll booths and equipment	2,172,881	2,118,400
Administration building	3,986,961	3,730,064
Furniture, fixtures and equipment	1,260,048	1,212,017
Vehicles	447,790	411,110
	<u>44,720,477</u>	<u>42,722,414</u>
Less accumulated depreciation	(26,950,083)	(25,272,445)
Net depreciable assets	<u>17,770,394</u>	<u>17,449,969</u>
Land	6,173,023	4,037,468
Construction work in progress	<u>538,389</u>	<u>3,152,121</u>
TOTAL CAPITAL ASSETS	<u>\$ 24,481,806</u>	<u>\$ 24,639,558</u>

The Bridge's investment in capital assets consists of toll bridges and approaches, booths and equipment, buildings, furniture, fixtures, equipment, vehicles and land. Increases in capital assets is due to completion of the Port of Entry project for all bridge locations and canopy improvements which have provided improved ease of traffic.

CAPITAL IMPROVEMENTS

Cameron County completed expansion of the Veterans Bridge from four lanes to eight lanes. The U.S. Department of State issued an amended Presidential Permit for this project and TxDOT provided Coordinated Border Infrastructure funds totaling \$6.25 million. The expansion has provided much needed capacity to the Veterans Bridge at Los Tomates. On the U.S. side, Veteran's Bridge is the connecting point to I-69E. TxDOT has invested over \$35 million in highway improvements to connect the bridge and to provide access. The I-69E corridor is booming with many new retail establishments. I-69E is now considered the heart of Brownsville, the border city to Matamoros. Veteran's Bridge provides direct access to traffic for northbound Mexican traffic and other surrounding communities in Mexico. Retail development along this corridor has expanded exponentially with major department establishments that continue to attract all residents. Growth along this corridor has exploded from SunRise Mall northward and this highly commercial area has much land available for development. Commercial establishments continue to develop at a very rapid pace. Retail and commercial development between Brownsville and Harlingen is expected to continue. Bass Pro Shop in Harlingen serving as a major attraction for Mexican customers; enhancing this development further is a retail shopping area that includes hotels and restaurants – all of this traffic uses the Cameron County International Toll Bridges. All of this development is centrally located off of I-69E in a highly commercial area.

VETERANS BRIDGE COMMERCIAL FAST LANE EXPANSION PROJECT

At the Veterans Bridge, the Commercial Fast Lane Expansion Project is well underway. This Project will increase the capacity to handle commercial traffic northbound. Veterans Bridge handles the majority of the international commercial traffic destined for the Port of Brownsville that also utilizes the overweight corridor. This project is significant for this region and will improve air quality, reduce wait times, address safety concerns and provide a better commercial traffic flow. Project cost to Cameron County is estimated at \$850,000 and is in the last phase of construction. Once completed Customs Border Protection will invest approximately \$7,000,000 in technological improvements.

VETERANS INTERNATIONAL BRIDGE PRIMARY LANE EXPANSION PROJECT

This project encompasses a number of structural and traffic improvements and will fulfil portions of the original master plan for this Border Station. This expansion project will address vehicular primary and secondary inspections. The proposal includes four station inspection booths for passenger vehicles with covered canopy, secondary inspection of one additional bay, a bus turnaround provision, and construction of a new command center for passenger vehicles. A new Z-machine portal machine, a non-invasive inspection technology X-ray machine, that allows drivers and passengers to remain in their vehicles during a security check is expected to be installed. This equipment will allow for better flow of bases and passengers and reduce wait times. Tentatively project costs are estimated at \$12.0Million of which \$6.9Million has been secured.

SH32 (EAST LOOP PROJECT)

This project consists of the construction of a four to six lane roadway from SH4 to I69E (US77/83) that will connect to Veterans International Toll Bridge. SH32 is approximately 5.6miles long and will include the construction of a four-lane roadway divided highway from FM3068 to SH4. Construction of SH32 East is estimated at \$45.0Million. SH32West is approximately 4.5 miles and will include construction of a four lane divided highway from FM3608/FM1419 to the Veterans International Bridge and I69E (US77/83). Construction costs for SH32 West is estimated at \$25.0Million. Environmental assessment of the SH32 East and West Project has been combined into one document and environmental approval is expected in 2019.

Debt Administration

	Long - Term Debt	
	FY 2018	FY 2017
Revenue Bonds	\$ 615,000	\$ 1,675,000
Certificates of Obligation	9,274,450	10,060,276
Total long-term debt	9,889,450	11,735,276
Less current portion	(1,279,336)	(1,845,825)
Total long-term debt, net of current portion	<u>\$ 8,610,114</u>	<u>\$ 11,735,274</u>

Cameron County International Toll Bridge System bonds have a rating of A+ with S&P, Fitch and A1 with Moody's.

The Bridge's total long-term debt decreased by \$1,845,825 due to FY2018 debt payments.

REPORT ON BRIDGE OPERATIONS

GATEWAY INTERNATIONAL BRIDGE

Gateway International Bridge links the downtown business districts of Brownsville and Matamoros and is primarily used for local traffic, maquiladora employees, tourists and pedestrian traffic. Eighty percent of the pedestrian traffic in Brownsville uses this bridge to go from downtown Brownsville to Matamoros and vice versa. Due to continuing security issues in Mexico, pedestrian traffic has continued to decline. Gateway International Bridge is the only bridge in the system that is operational twenty-four hours a day and is 100% owned and operated by Cameron County. Several Duty Free stores operate close to the bridge attracting pedestrians to this bridge. The West/East University Blvd., parallel to Texas Southmost College and the newly created University of Texas Rio Grande Valley (UTRGV), connects Gateway Bridge with the Southmost area in Brownsville, which is one of the fastest growing areas in the County. This road is an excellent connection between Gateway International Bridge and the Veterans International Bridge at Los Tomates. Texas Department of Transportation (TxDOT), the City of Brownsville, Cameron County and the Cameron County Regional Mobility Authority are now working on expanding the East Loop (SH32) from the Veterans International Bridge at Los Tomates to the Port of Brownsville. The project is in the environmental assessment phase and construction is expected to commence in 2019. This new corridor will serve as the overweight corridor connecting the Veterans Bridge and the Port of Brownsville, adding significant capacity to passenger vehicular traffic in southeast Brownsville.

FREE TRADE BRIDGE AT LOS INDIOS

The Free Trade Bridge at Los Indios is an international border crossing located eight miles south of Harlingen and San Benito. Cameron County owns and operates the bridge; however the cities of Harlingen and San Benito each receive 25% of the net revenues. The U.S. Border Station and Federal Inspection Facility is owned by the General Services Administration and operated by U.S. Customs, Immigration and Naturalization Service, and U.S. Department of Agriculture Animal and Plant Health Inspection Service. In March of 2003 all of these entities were merged and became the Department of Homeland Security. The bridge facilities are located on a 127 acre tract of land and include the bridge structure, border station import and export inspection areas, impound lot, toll plaza, parking areas, duty free stores and parking. Two custom brokers currently serve the area and are housed near the bridge area on the U.S. side. A number of custom brokers are situated on the Mexico side of the Bridge. Increases in vehicular traffic are partially attributed to the Duty Free store operations.

Penske Logistics operates a 333,000 square foot facility, employing approximately 225 employees. Penske is a third party logistics company that handles the logistics and distribution for Delphi's operations in Matamoros and Reynosa. Penske continues to expand and now had an additional 150,000 square foot warehouse. Panasonic also has a 150,000 square foot facility.

The Free Trade Commerce Center is a 755 acre industrial park adjacent to the Free Trade Bridge and is designated as a foreign trade zone, providing the cities of Harlingen and San Benito an excellent marketing tool. Presently one company has activated 10,000 square feet as a Foreign Trade Zone.

Cameron County, Cities of Harlingen and San Benito partnered in an Interlocal Agreement for the construction of a Cold Storage Facility on federal government property to be developed by the Harlingen Economic Development Corporation. This is a shared ownership agreement with Cameron County retaining 50% ownership and the Cities of San Benito and Harlingen retaining 25% each. Official ribbon cutting of this \$500,000 facility was held in April 2018 and operations commenced immediately. This new refrigerated inspection facility offers three cooled docking bays and maintains the "Cold Chain" of fresh products extending the shelf life. An added bonus to this location is that the United States Department of Agriculture (USDA) maintains an entomologist on-site. Products referred to secondary inspection have an immediate assessment in the event of any pests. This cold storage facility provides both frozen and refrigerated facilities for perishables as international shippers await inspection U.S. Customs & Border Protection. Free Trade Bridge serves as the terminus of SH509, which is a designated overweight corridor and a direct route to I69E. This International Bridge has the shortest wait times for commercial vehicles in South Texas and access to this type of cold storage facility is expected to draw additional commercial traffic and provide much needed services to this region.

The State of Tamaulipas has invested substantially in their highway infrastructure contributing directly to the increased traffic. The Autopista providing direct access to Monterrey has now been operational for over ten years. This provides a direct link between the Free Trade Bridge at Los Indios and the highly industrial area of Monterrey and its suburbs. With the road improvements to Highway 99/101 which goes to Ciudad Victoria, the route to Ciudad Victoria is much safer and faster. These road improvements have made the Free Trade Bridge at Los Indios very attractive to tourist traffic headed to the interior of Mexico. Travelers now can potentially save over four hours of travel time from the interior of Mexico to Cameron County. The Free Trade Bridge location and structural improvements have contributed to the growth of international trade in the Cameron County area.

VETERANS INTERNATIONAL BRIDGE AT LOS TOMATES

Cameron County owns and operates the Veterans International Bridge at Los Tomates; however, the City of Brownsville receives 50% of the net surplus revenues. The Veterans Bridge at Los Tomates operates eighteen hours a day. Traffic and Revenue Analysis projected 3,500 vehicles daily; however, with limited hours of operation, Veterans International Toll Bridge at Los Tomates quickly surpassed traffic projections. Average daily traffic is about 4,875 vehicles including about 1,000 trucks. Security issues on the Mexican border continue to impact traffic crossings. This bridge has improved the movement of goods and services on NAFTA highway trade routes. The reduction of time delays at this international border has served as an economic stimulus for the Brownsville region and across the U.S. Directly across the border in Matamoros, the bridge is located in a highly commercial and retail area of the community connecting directly into the city's inner and outer loops. Completion of capital improvements in this area have reduced travel time to the Matamoros airport to just fifteen minutes from the Veterans International Bridge at Los Tomates. The City of Matamoros has also completed construction of the last phase of the outer loop continuing to the west side of Matamoros and connecting to the Monterrey highway; construction of two overpasses on the Manuel Cavazos Periferico that has shifted more traffic to the Veterans International Bridge at Los Tomates. The city of Matamoros constructed a 1,500 foot portion of Accion Civica that goes from Avenida Lauro Villar to Roberto Guerra Street thus reducing daily traffic congestion. Additionally overpass construction over Roberto Guerra Street has allowed users to avoid this busy intersection. Three additional overpass improvements are funded and planned along this main route that will allow for a better flow of traffic.

On the U.S. side the Veterans International Bridge at Los Tomates is the southernmost starting point of Interstate 69E (I69E). TxDot has invested over thirty five million dollars in highway improvements to connect to the bridge and to provide access. Cameron County has completed construction on the expansion of the Veterans International Bridge from four lanes to eight lanes in FY2014 thus increasing commercial and tourist capacity. The area along I69E has seen extensive growth with new retail businesses. The Veterans International Bridge at Los Tomates provides a direct access to this retail corridor for people coming from Matamoros and other surrounding communities in Mexico. Commercial growth along this I69E corridor continues at a rapid pace. Along this corridor major retail developments are Super Wal-Mart, Target, Home Depot, Lowe's, Academy and Sam's Club, eating establishments, auto dealerships, major hotels and financing establishments. This corridor has rapidly become the fastest commercial and retail route for the Brownsville area. Additional retail and commercial developments between Brownsville and Harlingen continue at a rapid pace.

Commercial traffic continues to grow at this bridge. Indications are that with this continued commercial growth, any declines in vehicular traffic will be surpassed by commercial growth.

FUTURE FLOR DE MAYO

Cameron County has acquired the necessary right of way for the future Flor de Mayo bridge. Additionally, the necessary right of way for the General Services Administration was also acquired for this future bridge. These land purchases have been re-categorized from Work in Process to Land Acquisition. Currently Cameron County is conducting a feasibility study for this bridge.

AUTOMATED VEHICLE IDENTIFICATION SYSTEM (AVI)

All County owned bridges offer an automated vehicle identification system (AVI). The customer using the AVI system can use any county owned bridge. This program has been very attractive to our maquiladora customers, both for commercial traffic carrying their goods and products and for their employees that go back and forth every day. We presently have 450 accounts with over 6,000 users. This fiscal year we collected \$4,240,749 in revenues which represents 21.8% of the total toll revenues collected.

TOLL RATES

The following schedule illustrates the change in tolls over the past two years and the tolls that are in effect as of October 1, 2018:

Classification	Sept. 30, 2017	Sept. 30, 2018	Oct. 1, 2018
	Rate	Rate	Rate
Pedestrian	\$ 1.00	\$ 1.00	\$ 1.00
Motorcycle	3.50	3.50	3.75
Passenger	3.50	3.50	3.75
Commercial Vehicles			
Two Axle	9.50	9.50	11.00
Three Axle	13.50	13.50	15.00
Four Axle	15.75	15.75	17.25
Five Axle	20.50	20.50	22.00
Six Axle	23.50	23.50	25.00

CROSSINGS

As of the end of September 30, 2018 a total of 5,913,003 vehicles and pedestrians crossed into Mexico through the County's International Bridges. Total Crossings remained consistent with FY17 levels with a nominal variance of -.02% from prior year. Total crossings have increased 16.94% since 2014, pedestrian crossings have increased 22.7% since 2014, whereas vehicle crossing increased by 13.8% for that same period.

Historical Bridge System Crossing Summary				Revenue Summary		
	Vehicle	Pedestrian	Total	Vehicle	Pedestrian	Total Revenue
	Crossings	Crossings	Crossings	Revenue	Revenue	
2014	2,854,303	1,844,292	5,056,644	\$ 9,276,485	\$ 1,844,292	\$ 15,603,890
2015	2,942,287	1,961,924	5,273,613	\$ 9,562,433	\$ 1,961,924	\$ 15,900,709
2016	3,104,092	2,030,564	5,562,510	\$10,864,322	\$ 2,030,564	\$ 17,941,681
2017	3,319,702	2,188,050	5,919,345	\$11,618,957	\$ 2,188,050	\$ 19,145,752
2018	3,246,897	2,261,917	5,913,003	\$11,364,140	\$2,261,917	\$19,434,123

CROSSINGS BY CATEGORY

CAMERON COUNTY INTERNATIONAL BRIDGE SYSTEM

SOUTHBOUND CROSSINGS

	FY 2018		FY 2017	
Autos & Motorcycles	3,246,897	56%	3,319,702	55%
Commercial Vehicle	254,530	4%	233,993	4%
Bikes	31,575	1%	39,651	1%
Buses	6,510	0%	6,797	0%
Misc. & Extra Axle	111,574	2%	126,132	2%
Pedestrian	2,261,917	37%	2,188,050	38%
Total	5,913,003	100%	5,914,345	100%

Over the past year, passenger vehicle crossings, commercial truck crossings and pedestrian traffic have remained constant with minimal fluctuations.

KEY ISSUES OF CONCERN

Security

This fiscal year the waiting times at the County owned bridges continued to be above normal. The major contributing factor for the minimal southbound crossing growth continues to be security issues and drug cartel violence in Mexico. Current traffic trends indicate the flow of traffic has increased as commercial demands rise; indications are that growth will continue in FY18.

Major developments expected to have a negative impact on the bridge crossings next fiscal year is the continuation of the security issues in Mexico. National security continues to be a number one priority in the U.S. and the Department of Homeland Security's presence is felt at all bridge crossings. Additionally as conflicts continue in the Middle East, we will continue to experience thorough inspections from the Department of Homeland Security, thus increasing the long crossing wait times for tourists and commercial traffic. Due to the drug cartel violence, the Mexican military's presence continues along the U.S./Mexico border.

The impact of the implementation of the Western Hemisphere Travel Initiative due to 9/11 appears to have stabilized as international crossings continue to increase. Travelers have become acclimated to the requirement of needing a passport or a passport card when traveling through international bridges.

Competition

Cameron County's competition for passenger vehicles is provided by the Brownsville & Matamoros (B&M) Bridge Company. During 1997 the B&M Bridge Company expanded their bridge to provide four lanes for vehicles and commercial traffic. Gateway International Bridge and the B&M Bridge stopped handling commercial vehicles since 1999. The B&M Bridge Company lost its 100 year concession they had from the Mexican Government. The B&M Bridge Company now operates on a month to month concession with Mexico. It is highly unlikely they will receive a long term concession from Mexico. Mexico is in the process of selecting a Concessionaire for their half of the bridge operations; thus bringing an end to the B&M Bridge Company collecting tolls on both the U.S. and Mexican sides. Competition for commercial traffic comes from the Pharr-Reynosa International Bridge. Opened on January 1995, this bridge provides another avenue for commercial traffic crossing from Monterrey and the interior of Mexico. The toll road from Monterrey feeds directly into this bridge. The Pharr-Reynosa Bridge has been able to attract custom brokers to invest in facilities in and around the bridge. The Pharr-Reynosa Bridge is a direct competition to the Free Trade Bridge at Los Indios, however, the waiting time for commercial vehicles is much longer at the Pharr-Reynosa Bridge. The Pharr-Reynosa Bridge is approximately 30 miles west of the Free Trade Bridge at Los Indios. The opening of the produce industry and market area to the whole southwest border presents an excellent opportunity for the Free Trade Bridge at Los Indios and the Veterans International Bridge at Los Tomates that can increase commercial traffic. Cameron County construction of a \$500,000 cold storage facility on GSA property at the Free Trade Bridge has attracted shippers and carriers moving their product into the United States.

This cold storage facility allows northbound commercial trucks storage of their product pending their final customs inspection to enter the United States. It is anticipated this cold storage facility will increase commercial traffic at this bridge.

Cameron County and the Cameron County Regional Mobility Authority have completed Border Master Plan with our counterparts in Mexico. The plan identifies projects and opportunities within our bridge system.

The Brownsville Navigation District (BND) has a U.S. Presidential Permit for the construction of a commercial bridge at the Port of Brownsville. As of September 30, 2015 Mexico had not issued any permits on their side, thus, it is not known if the proposed bridge will be constructed. The Donna – Rio Bravo Bridge opened in December 2010. The Anzalduas Bridge in Mission is now in operation handling only passenger vehicle traffic.

CONCLUSION

Cameron County International Bridges offer the most efficient routes for the distribution of products anywhere along the U.S./Mexico border, while also being the most efficient connection to international shippers and optimal distribution logistics. This has allowed Cameron County to be highly successful in promoting trade and in attracting greater flows of international traffic. It is not unusual at other international bridges on the Southwest border for people to take hours to cross into the United States. And just like in other border areas, on the average, people waiting on Cameron County owned bridges will take about forty five minutes to an hour to cross into the United States. The Cameron County International Bridge System has an excellent working relationship with the Department of Homeland Security and continues to look for ways and measures to reduce the waiting time for our international bridge customers. New trade routes between Mazatlan and Matamoros provide excellent opportunities for our bridge system to generate additional commercial traffic. With SpaceX locating in Cameron County it is anticipated that Mexican tourism and traffic will result in more international crossings.

The approval of the deepening of the ship channel at the Port of Brownsville will provide opportunities for increases in commercial traffic. Infrastructure developments planned by Cameron County Regional Mobility Authority will allow for increases in commercial traffic as well.

Cameron County and the State of Tamaulipas have commitments for long term infrastructure planning that will allow our bridge system to keep up with the fast paced growth and the economic base that Brownsville and Matamoros share. Cameron County makes it easy to cross goods and products through its bridges and by having modern accessible highways that connect our bridges to major markets in the United States and Mexico, more companies will start taking advantage of the County's labor force and infrastructure. In closing, it is evident that the future of our Cameron County International Bridge System has substantial growth potential and will continue to experience great success.

Requests for Information

This financial report is designed to provide a general overview of the Cameron County International Toll Bridge System's finances for persons or entities interested in this area. Questions concerning information on this report or finances should be directed to Cameron County Auditor, 1100 E. Monroe, Brownsville, Texas 78520.

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
STATEMENT OF NET POSITION
Year Ended September 30, 2018

ASSETS

CURRENT ASSETS

Cash & Cash Equivalents	\$ 9,723,742
Accounts receivable - trade	156,856
Prepaid expenses	83,380
Due from other Funds	2,336,831
TOTAL CURRENT ASSETS	12,300,809

RESTRICTED ASSETS

Gateway Debt Service Fund:	
Cash & cash equivalents	394,402
Gateway Bond Debt Reserve:	
Cash & cash equivalents	441,916
Gateway Capital Improvements Fund	
Cash & cash equivalents	5
Free Trade Bridge Debt Reserve:	
Cash\Cash Equivalents	283,235
Free Trade Bridge Debt Service	
Cash\Cash Equivalents	230,243
Free Trade Bridge Capital Improvements Fund	
Cash\Cash Equivalents	11,364
Veteran's International Toll Bridge Debt Service Fund:	
Cash & cash equivalents	946,873
Veteran's International Toll Bridge Debt Reserve:	
Cash & cash equivalents	1,329,937
Capital Improvements Fund:	
Cash and cash equivalents	1,584,689
TOTAL RESTRICTED ASSETS	5,222,664

CAPITAL ASSETS

Depreciable Assets:	
Toll bridges and approaches	36,852,797
Toll booths and equipment	2,172,881
Administration building	3,986,961
Furniture, fixtures and equipment	1,260,048
Vehicles	447,790
	44,720,477
Less: accumulated depreciation	(26,950,083)
Net depreciable assets	17,770,394
Land	6,173,023
Construction Work in Progress	538,389
TOTAL CAPITAL ASSETS	24,481,806

DEFERRED OUTFLOW OF RESOURCES

Differences between projected and actual earnings-Med	376,720
Differences between projected and actual earnings-Ret	12,238
TOTAL DEFERRED OUTFLOW OF RESOURCES	388,958

TOTAL ASSETS	\$ 42,394,237
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CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
STATEMENT OF NET POSITION
Year Ended September 30, 2018

LIABILITIES AND NET POSITION

LIABILITIES

Current Liabilities (payable from Current Assets):

Accounts payable	\$ 189,103
Wages & Fringes Payable	132,080
Accrued Uncompensated Absences	37,686
Deposits	216,761
Due to Other Funds	4,296,314
Due to Other Governments	326,115
Total Current Liabilities (payable from Current Assets)	<u>5,198,059</u>

Current Liabilities (payable from Restricted Assets):

Leasehold deposits	16,817
Reserve	75,688
Current maturities of revenue bonds & CO's	1,279,336
Capital Lease Payable	46,398
Total Current Liabilities (payable from Restricted Assets)	<u>1,418,239</u>

Long-term Liabilities:

Certificates of Obligation	8,610,114
Plus: Unamortized premium and issue costs	46,014
Capital Lease Payable	92,794
Unfunded Actuarial Accrued Liability	1,370,211
Pension Liability	459,816
Total Long-term Liabilities	<u>10,578,949</u>

DEFERRED INFLOW OF RESOURCES

Differences between expected and actual experience-Med	323,958
Differences between expected and actual experience-Ret	80,605
TOTAL DEFERRED INFLOW OF RESOURCES	<u>404,563</u>

TOTAL LIABILITIES

\$ 17,599,810

NET POSITION

Net investment in capital assets	\$ 16,095,236
Restricted For:	
Capital Improvements	1,596,058
Revenue Bond Debt Service	1,571,518
Revenue Bond Debt Reserve	2,055,088
Revenue Bond Operating Reserve	250,000
Unrestricted	<u>3,226,527</u>

TOTAL NET POSITION

\$ 24,794,427

The notes to the financial statements are an integral part of this statement.

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended September 30, 2018

<u>OPERATING REVENUES</u>	
Tolls	\$ 19,434,122
Rental Income	457,150
Miscellaneous	2,759
TOTAL OPERATING REVENUES	<u>19,894,031</u>
<u>OPERATING EXPENSES</u>	
Salaries	2,714,079
Employee benefits	848,572
Supplies	93,970
Uniforms	28,560
Audit and legal	19,941
Other Pension Costs	215,215
Retirement Expense	269,910
Other professional services	11,426
Repairs and maintenance	92,500
Travel	30,552
Utilities	126,092
Advertising	82,653
Insurance	85,575
Contractual	63,750
Depreciation	1,677,638
Other	62,961
TOTAL OPERATING EXPENSES	<u>6,423,394</u>
OPERATING INCOME (LOSS)	<u>13,470,637</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Intergovernmental agreement	(3,366,842)
Interest on investments and receivables	168,078
Interest and fiscal fees on revenue bonds	(523,562)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(3,722,326)</u>
INCOME BEFORE TRANSFERS	9,748,311
Transfer Out - General Fund	(9,027,947)
Transfer Out - I & S Fund	<u>(577,437)</u>
CHANGE IN NET POSITION	142,927
Net Position - beginning	24,201,163
Prior Period Adjustment	<u>450,337</u>
Net Position - ending	<u><u>\$ 24,794,427</u></u>

The notes to the financial statements are an integral part of this statement.

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
STATEMENT OF CASH FLOWS
Year Ended September 30, 2018

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows From Operating Activities:

Cash received from customers	\$ 20,036,357
Cash received from other operating activities	459,909
Cash payments for goods and services	1,231,167
Cash payments to employees	(3,831,228)
Net Cash Provided by Operating Activities	<u>17,896,205</u>

Cash Flows From Non-Capital Financing Activities:

Operating transfers out	(9,605,384)
Net Cash Used for Non-Capital Financing Activities	<u>(9,605,384)</u>

Cash Flows From Capital and Related Financing Activities:

Intergovernmental agreement	(3,366,842)
Payments for capital acquisitions	615,669
Land Acquisition	(2,135,555)
Principal payments	(1,710,174)
Interest and fiscal agent fees paid	(523,562)
Net Cash Used for Capital and Related Financing Activities	<u>(7,120,464)</u>

Cash Flows From Investing Activities:

Receipts of interest	168,078
Net Cash Provided by Investing Activities	<u>168,078</u>

Net increase (decrease) in cash and cash equivalents

1,338,435

Cash and cash equivalents at beginning of year

13,607,971

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 14,946,406

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Operating income	\$ 13,470,637
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Adjustments to Reconcile Operating Income to Net Cash

Provided by Operating Activities:

Depreciation	1,677,638
Post employment benefit expense	140,164
Pension Expense	75,051

Changes in Current Assets and Liabilities:

(Increase) decrease in accounts receivable	(29,771)
(Increase) decrease in prepaids and other assets	(22,221)
(Increase) decrease in due from other Funds	768,527
Increase (decrease) in accounts payable	(479,926)
Increase (decrease) in wages and fringe payable	1,176
Increase (decrease) in compensated absences payable	157
Increase (decrease) in retainage payable	(33,000)
Increase (decrease) in deposits payable	14,242
Increase (decrease) in due to other funds	2,394,831
Increase (decrease) in due to other governments	(81,300)

NET CASH PROVIDED BY OPERATING ACTIVITIES

\$ 17,896,205

The notes to the financial statements are an integral part of this statement.

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 1 - Summary of Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

A. Operations

Cameron County, Texas, (County) through its International Toll Bridge System (System), owns and operates three (3) international toll bridges connecting the United States and Mexico. Two international bridges connect Brownsville, Texas with Matamoros, Mexico and one located five miles south of the cities of Harlingen and San Benito, Texas. The Veteran's International Toll Bridge at Los Tomates and the Free-Trade Bridge at Los Indios surplus bridge revenues are distributed according to interlocal agreements between Cameron County and certain municipalities within the county.

B. Basis of Accounting

The Cameron County International Toll Bridge System is an enterprise fund of Cameron County and is self-sustaining for all of its operations as well as a valuable funding tool for the County. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Government Accounting Standards Board (GASB). The International Toll Bridge System of Cameron County, Texas applies GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments* (GASB 34) as amended by GASB Statement 37. This Statement established standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposed into the following four net position categories:

- Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted:
 - Nonexpendable - - Net assets subject to externally imposed stipulations that the International Toll Bridge System maintains them permanently. For the fiscal year ended 2018, the International Toll Bridge System does not have nonexpendable net assets.
 - Expendable - - Net position whose use by the International Toll Bridge System is subject to externally imposed stipulations that can be fulfilled by actions of the International Toll Bridge System is subject to externally imposed stipulations that can be fulfilled by actions of the International Toll Bridge System pursuant to those stipulations or that expire by the passage of time. Such assets include the International Toll Bridge System's bond debt service reserves on hand.
- Unrestricted: Net position not subject to externally imposed stipulations.

The provisions of GASB Statement No. 34 have been applied to the years presented. The accompanying financial statements have been prepared on the accrual basis. The International Toll Bridge System reports as a Business Type Activity, as defined by GASB Statement No. 34. Business Type Activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

GASB 75 created accounting standards for Other Post Employment Benefits (OPEB) provided by governmental entities separately from a pension plan. This Statement establishes standards for measurement, recognition and display of OPEB expenditures and related liabilities/assets disclosure.

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 1 - Summary of Accounting Policies (continued)

C. Capital Assets and Depreciation

Purchased assets are recorded at historical costs. Depreciation is provided over the estimated useful lives, on a straight-line basis.

<u>ASSETS</u>	<u>YEARS</u>
Buildings	30
Furniture and Fixtures	5
General Equipment	5
Trucks	6
Computer Hardware	5
Infrastructure	20

Depreciation expense for all activities totaled \$1,677,638.

D. Retirement Plan

Mandatory participation in the county retirement system is required by state law for all employees who work in excess of 900 hours per year. County employees contribute seven percent (7%) of their gross pay and the System contributes 10.04%, (10.07% as of January 1, 2019) of the qualified employees' earnings. Retirement plan expense is funded as accrued, and includes amortization of prior service cost over a 20-year period. Retirement plan expense totaled \$269,910 for the year ended September 30, 2018.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the System considers cash on hand and deposits at banks as well as all highly liquid investments purchased with maturities of three (3) months or less or with no stated maturity to be cash equivalents.

F. Comparative Data

Comparative total data for the prior year has been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in the International Toll Bridge System's financial position and operations.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 1 - Summary of Accounting Policies (continued)

H. Net Position

Net position represents the residual interest in the International Toll Bridge System's assets after liabilities are deducted and consists of three sections: Net investment in capital assets, restricted and unrestricted. The net investment in capital assets is the capital assets, restricted and unrestricted, net of accumulated depreciation, reduced by outstanding debt. Net position is reported as restricted when constraints are imposed by third parties or enabling legislation. The International Toll Bridge System's restricted assets are expendable. All other net position is unrestricted.

I. Subsequent Events

Management has evaluated subsequent events through March 28, 2019, the date the financial statements were available to be issued.

Note 2 - Bond Indenture Requirements

During the period in which the bonds are outstanding, the International Toll Bridge Bond Resolution and Order require the County to create and maintain certain accounts or "funds" to receive the gross revenues derived from the operations of the System. In accordance with the terms of the Bond Resolution, these assets can be used 1) to pay the maintenance and operating expenses of the System, 2) to pay the debt service costs of the System's revenue bonds and 3) to pay for any ordinary maintenance, repairs, or replacements to the System's property. Any remaining revenues may be transferred to other County funds or used for the purchase of the System's outstanding revenue bonds at a price less than par and accrued interest.

Note 3 - Insurance Coverage

The System maintains insurance coverage for fire, extended coverage, malicious mischief, terrorism including use and occupancy and toll equipment coverage. Vehicles are self-insured as to comprehensive collision coverage; however, auto liability coverage is provided through the Texas Association of Counties in amounts above the legal requirements. The County insures both sides of the bridge spans for property damage in amounts significantly less than the historical cost of each bridge. The Gateway International Bridge has \$15,000,000 in coverage for the bridge span property damage and \$6,686,600 for use and occupancy coverage protecting from loss of revenues. The Free Trade Bridge at Los Indios has \$15,000,000 to cover property damage to the bridge spans and \$6,000,000 for use and occupancy coverage protecting from loss of revenues. The Veteran's International Toll Bridge at Los Tomates also has \$15,000,000 to cover property damage to the bridge spans and \$15,000,000 for use and occupancy coverage protecting from loss of revenues. Losses of revenue due to acts of terrorism are covered under the terms of this insurance. In addition, the International Toll Bridge System has acquired flood insurance, fire-windstorm, auto liability, general liability, and workers compensation insurance in amounts depicted in the "Schedule of Insurance Coverage" on page 19.

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

Note 4 - Long-Term Debt

A. Combination Tax and Revenue Bonds

\$7,950,000; International Toll Bridge System Revenue Bonds, Series 1998; due in annual Principal installments of \$270,000 to \$615,000 through November 1, 2019; plus interest at 4.60%.

\$ 615,000

\$4,494,300 Certificates of Obligation Series 2011; due in annual principal installments of \$345,291 to 28,638 through February 2031; plus interest at the rates ranging from 2.0% to 5.0%

3,526,605

\$6,031,072 Refunding Series 2015; due in principal installments of \$688,075 to \$138,281 thru February 2028; plus interest at rates of 3.00% to 5.00%

5,747,845

TOTAL BONDS PAYABLE

9,889,450

Less: Current Maturities

1,279,336

TOTAL LONG-TERM BONDS PAYABLE

\$ 8,610,114

Interest is paid each February 15th, May 1st, August 15th, and November 1st. Principal and interest payments constitute direct obligations of the County payable from a combination of a pledge of net revenues from the operations of the Cameron County International Toll Bridge System and the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the County. The annual requirements to amortize all revenue bonds outstanding as of September 30, 2018 including interest payments of \$2,454,477 are illustrated below:

<u>YEAR ENDING SEPTEMBER 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>AMOUNT</u>
2019	\$ 1,279,336	\$ 419,830	\$ 1,699,166
2020	696,000	374,325	1,070,325
2021	760,273	340,638	1,100,911
2022	799,082	302,764	1,101,846
2023-2026	3,580,637	791,890	4,372,527
2027-2030	2,423,274	216,697	2,639,971
2031	350,848	8,333	359,181
<u>TOTAL</u>	<u>\$ 9,889,450</u>	<u>\$ 2,454,477</u>	<u>\$12,343,927</u>

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 4 - Long-Term Debt (continued)

B. Advance Refunding

On February 12, 2015 Cameron County issued \$18,100,000 Limited Tax Refunding Bonds, Series 2015 with interest rates ranging from 3.0% to 5.0%. The proceeds were used to refund \$525,000 Unlimited Tax Road Bonds, Series 2005, \$5,645,000 Certificates of Obligation, Series 2007, \$10,490,000 Certificates of Obligation, Series 2008 and \$1,675,000 Unlimited Tax Road Bonds, Series 2008 with interest rates ranging from 4.00% to 6.125%. The 2014 Limited Tax Refunding Bonds carried an initial principal amount of \$18,335,000 but were sold at a net premium of \$2,338,519. Cameron County cash contribution of \$177,529 and incurred issuance cost, insurance premium and underwriting fees of 283,639 the net proceeds were \$20,332,410.

The net proceeds from the issuance of the Limited Tax Refunding Bonds, Series 2015 have been deposited in the Escrow Fund to refund the Refunding Obligations. The accuracy and sufficiency of such deposits to make payments has been confirmed by The Financial Advisor and such amounts will be held in an escrow fund under an Escrow Agreement dated March 1, 2015 between the Issuer and the Escrow Agent. Funds held by the Escrow Agent are irrevocably pledged to the payment of principal and interest on the Refunded Obligations and will be used to purchase certain United States obligations and obligations of agencies or instrumentalities of the United States. The advance refunding by Cameron County has effected the defeasance of the Refunded Obligations in accordance with Law. The Refunded Obligations are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the Federal Securities and funds as provided for in the Escrow Agreement. The purpose of this Refunding was to restructure debt service payments, to obtain net present value savings of \$1,587,781 and for the payment of related Refunding Bond issuance costs.

C. Certificates of Obligation

Cameron County issued \$23,570,000 Certificates of Obligation, Series 2011 dated June 9, 2011 to pay for contractual obligations to be incurred in connection with the design, planning, acquisition, construction, equipping, expansion, and/or renovation of certain public property, specifically being the roof renovations/replacements at Detention Center 1 and 2 and other County buildings, as well as terra cotta improvements at the Dancy Courthouse; air condition units or a chiller system for the Carrizales Rucker Detention Center, County Jail shower replacements; County Sheriff's Office chiller system; improvements to the old County Jail, Lucio Clinic renovation; Judicial Courthouse improvements and County Judicial computer system software; expansion costs for the Veteran's Trade Bridge; planning, traffic and revenue studies, schematic and environmental studies for the future Flor de Mayo Bridge; sidewalk and canopy improvements at the Gateway International Bridge; toll collection system upgrade for the international bridge system; acquisition of land and construction of a County Annex Building in Los Fresnos; acquisition of land and construction of a Community Center in Olmito; street light infrastructure improvements; improvements at the Pedro "Pete" Benavides County Park and Browne Road Social Service Center; constructing road improvements including improvements to Primera Road, San Jose Ranch Road, Old Alice Road, Vermillion Road, the U.S. 77 Parallel Corridor Project; acquisition of the Pacheco Building across the Dancy Courthouse and renovations to said building; improvements to the Laiseca Store Building and the payment of contractual obligations for professional services in connection with such projects (including, but not limited to, architectural and engineering); and to pay costs of issuance of the Certificates. Capital improvement costs for the International Toll Bridge System projects are \$4,494,300. Proceeds of this issuance were received by the International Bridge System for capital expenditures; this debt is an obligation of the International Toll Bridge System and is recorded as a Certificate of Obligation Bond Payable from this enterprise fund.

Cameron County issued \$16,075,000 Certificates of Obligation, Series 2008 dated October 15, 2008 to pay for obligations to be incurred in connection with the design, planning, acquisition, construction, equipping, expansion, and/or renovation of certain public property, specifically being the Carrizalez Rucker Detention Center; district courtroom improvements and judicial computer system software; engineering and construction costs for the Veteran's and Free Trade Bridges'; design, planning, acquisition, construction of right-of-ways for the Flor de Mayo Bridge; renovation of county buildings located across the Dancy County Courthouse; and the payment of contractual obligations for professional services in connection with such projects (including, but not limited to, financial

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 4 - Long-Term Debt (continued)

C. Certificates of Obligation (continued)

advisory, legal, architectural, and engineering). Capital improvement costs for the International Toll Bridge System are \$9,100,000. Debt obligations of the \$16,075,000 Certificates of Obligation Series 2008 were fulfilled as of 9/30/18. Cameron County refunded \$6,031,072 of this debt with the Limited Tax Refunding Bonds, Series 2015. Proceeds of this issuance were received by the International Bridge System for capital expenditures; this debt is an obligation of the International Toll Bridge System and is recorded as a Certificate of Obligation Bond Payable from this enterprise fund.

D. Revenue Refunding

On October 15, 2007, Cameron County authorized the issuance of Cameron County, Texas International Toll Bridge System Revenue Refunding Bonds, Series 2007 to refund the International Toll Bridge System Revenue Improvement Bonds, Series 1997, \$6,125,000. These bonds are payable from and secured by the net revenues of the Toll Bridge System. The 2007 Refunding Bonds were sold at par (\$4,005,000) with an additional Toll Bridge contribution of \$167,508 for bond issuance costs. Present Value savings on this Revenue Refunding 2007 issue were \$206,932. Debt obligations on the Revenue Refunding Bonds, Series 2007 were fulfilled as of 9/30/18.

Note 5 - Commitments

A. Free Trade Bridge at Los Indios

On June 3, 1991, Cameron County executed interlocal agreements with the City of San Benito, Texas and the City of Harlingen, Texas, whereby the County would finance and construct an international bridge. This Free Trade Bridge at Los Indios is located approximately eight miles south of the cities of Harlingen and San Benito.

The County is the legal owner and operator of the bridge on the United States side of the border; however, in event of a revenue shortfall, the Cities have obligated themselves to pay twenty-five percent (25%) each, not to exceed the sum of \$200,000 each annually, of any deficiencies in the annual debt service requirements for the Los Indios International Toll Bridge revenue bonds, any capital expenditures not paid from bond proceeds, and any net losses before transfers excluding depreciation and including or excluding interlocal agreement revenues (or expenses) of the Free Trade International Bridge at Los Indios. Any surplus revenues remaining after payment of the debt service requirements, maintenance and operating costs will be shared between the Cities and the County as per interlocal agreements.

The results of operations for the Free Trade Bridge at Los Indios for the period ending September 30, 2018 produced a \$1,404,172 surplus as defined by the interlocal agreement between the entities and the County. The County's share of the interlocal agreement proceeds is \$702,087. Each participating entity has received a total of \$351,043 for their share of the year's operations as defined under the interlocal agreement.

B. Veteran's International Toll Bridge at Los Tomates

On January 12, 1990, Cameron County executed an interlocal agreement with the City of Brownsville, Texas whereby the County would finance, construct and operate an international toll bridge located in Southeast Brownsville, Texas, approximately two miles east of Gateway International Toll Bridge, herein referred to as "Los Tomates International Bridge", located between Brownsville, Texas and Matamoros, Tamaulipas, Mexico. The Revenue Bonds were issued on parity with any additional International Toll Bridge Bonds, and are outstanding from the revenues of the County's Toll Bridge System. Cameron County, Texas is the legal owner and operator of this

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

B. Veteran's International Toll Bridge at Los Tomates (continued)

Note 5 – Commitments (continued)

bridge; however, the City of Brownsville has obligated itself to pay fifty percent (50%), not to exceed the sum of \$400,000 annually, of any deficiencies in the annual debt service requirements for the proposed revenue bonds issued to finance the Los Tomates International Bridge. Any surplus revenues remaining after payment of the debt service requirements, maintenance and operation costs, and an amount equal to one hundred forty percent (140%) of the average annual debt service requirements of all outstanding bonds will be shared equally between the City and the County.

The City of Brownsville does not retain an equity interest in the project, which is considered a cooperative arrangement between the governments rather than a joint venture. In accordance with the interlocal agreement between Cameron County and the City of Brownsville, each entity was allocated \$2,664,756 in surplus from operations through September 30, 2018 as defined by their governing interlocal agreement.

The following is a summary of the interlocal transactions between the City of Brownsville and the County:

Year Ended September 30,	Cameron County	City of Brownsville	Total Surplus (Deficiency)
2018	\$ 2,664,756	\$ 2,664,756	\$ 5,329,512
2017	2,552,857	2,552,857	5,116,972
2016	2,411,486	2,411,486	4,822,972
2015	1,876,662	1,876,662	3,753,324
2014	1,825,714	1,825,714	3,651,428
2013	1,288,520	1,288,520	2,577,040
2012	1,554,861	1,554,861	3,109,722
2011	1,528,935	1,528,935	3,057,870
2010	1,468,453	1,468,453	2,936,906
2009	1,243,111	1,243,111	2,486,222
2008	2,004,538	2,004,538	4,009,076
2007	2,716,305	2,716,305	5,432,610
Totals	<u>\$23,136,198</u>	<u>\$23,136,198</u>	<u>\$46,283,654</u>

The Debt Reserve funds set aside to provide for the Veteran's International Toll Bridge at Los Tomates (VITB) is funded at 140% of the highest annual debt service level. Unless additional debt is incurred, further allocation of bridge proceeds to fund the VITB Debt Reserve is unnecessary.

Capital Lease and Installment Purchases

The International Toll Bridge System entered into an agreement with Bank of America, N.A. dated October 1, 2016 to provide \$147,115 in financing for security cameras, equipment, one (1) automobile and club carts through Cameron County's master lease agreement with Bank of America, N.A. at an interest rate of 2.82%, with three payments of \$49,038.33 due on September 2019, through September 2021. Interest to be paid during the term of the lease totals \$7,923.

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 6 - Accrued Compensated Absences

The Cameron County Personnel Policy provides employees with vacation leave and nonvesting accumulating rights to sick pay benefits. The policy requires all employees to take vacation time prior to the fiscal year-end, however it allows a vacation carryover period of three months. Vacation Pay is recognized as a part of salary compensation. Salary and wages earned, yet unpaid is recognized as accrued compensation time. Sick leave does not vest and unused balances are not paid at the time of employee termination, thus an accrual for this is not made. The Bridge System's employees compensated liabilities at September 30, 2018 were \$37,686.

Note 7 – Deposits and Investments
Custodial Credit Risk - Deposits

International Toll Bridge System's deposits at year end were covered either by Federal depository insurance or collateral held by the Cameron County Treasurer in the System's name. Cameron County adopted an investment policy in January 1997, that reinforces the County's investment practices that remain in compliance with V.T.C.A., Title 10, Government Code, Section 2256.

Concentration Risk:

Cameron County has investments with Lone Star Investment Pool, managed by First Public, LLC., the State of Texas investment pool available to governmental entities. Lone Star is neither a registered investment pool with the SEC nor backed by pledged collateral, but the underlying investments are AAA-rated no-load money market mutual funds, government agency securities and repurchase agreements collateralized by U.S. government securities, allowed under the Public Funds Investment Act as described by V.T.C.A., Title 10, Government Code, Section 2256. All Lone Star investments have earned Standard & Poor's highest rating – AAA – which meets the standards set by the Public Funds Investment Act. Investments are stated at cost which approximates market value. Lone Star's portfolio has low market risk due to restrictions on weighted average maturity and maximum maturity of any one investment. State Street Bank and Trust serves as custodian and valuation services and settles trades for Lone Star, securing and valuing its assets daily. Lone Star's investments maintain weighted average maturity of the portfolio at sixty days or less, with no security exceeding thirteen months in maturity. Lone Star's investment portfolio is required to maintain a stable \$1.00 net asset value.

As of September 30, 2018 the International Bridge System's carrying amount of deposits and investments was \$14,946,406 and the bank balance was \$14,784,147.

<u>Current Assets:</u>	<u>Fair Value</u>
Cash and cash equivalents	\$9,473,742
<u>Restricted Assets:</u>	
Revenue Bond Debt Service Fund	
Cash and cash equivalents	1,571,518
Revenue Bond Debt Reserve Fund	
Cash and cash equivalents	2,055,088
Capital Improvements Fund	
Cash and cash equivalents	1,596,058
Operating Reserve Fund	
Cash and cash equivalents	<u>250,000</u>
TOTAL	<u>\$14,946,406</u>

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

Note 8 – Capital Assets

Capital assets consisted of the following at September 30, 2018:

	<u>Beginning</u>	<u>Increases</u>	<u>Reclassification</u>	<u>Ending</u>
Assets being depreciated				
Toll bridges and approaches	\$ 35,250,823	\$ 1,601,974	\$ -	\$ 36,852,797
Toll booths and equipment	2,118,400	27,057	-	2,145,457
Administration building	3,730,064	284,320	-	4,014,384
Furniture, fixtures and equipment	1,212,017	48,032	-	1,260,049
Vehicles	<u>411,110</u>	<u>36,680</u>	-	<u>447,790</u>
Total Depreciable Assets	42,722,414	1,998,063	-	44,720,477
Assets not being depreciated				
Land	4,037,468	2,135,555	-	6,173,023
Construction Work in Progress	3,152,121	478,070	(3,091,802)	538,389
Less: accumulated depreciation	<u>(25,272,445)</u>	<u>(1,677,638)</u>		<u>(26,950,083)</u>
TOTAL CAPITAL ASSETS	<u>\$ 24,639,558</u>	<u>\$ 2,934,050</u>	<u>\$(3,091,802)</u>	<u>\$ 24,481,806</u>

Depreciation expense for all activities totaled \$1,677,638.

Note 9 – Net Pension Liability

Governmental Accounting Standards Board issued Statement No. 68 which are new reporting standards for public pension plans and participating employers which address specifics of reporting public pension plan obligations for employers. Net pension liability (NPL) for Cameron County was determined on an actuarial valuation as of the valuation date. The International Toll Bridge System recognized pension expense costs of \$75,051 as a result of this implementation.

Note 10 – Other Post Employment Benefits -Medical

Governmental Accounting Standards Board (GASB) issued Statement No. 74 & 75 in 2016 to improve accounting and financial reporting by state and local governments. These Statements substantially revised the accounting requirements previously mandated under GASB 43 and 45. In compliance with Statement 75, Cameron County has implemented these requirements during fiscal year 2018. GASB75 requires employers to recognize a liability for OPEB obligations, Net OPEB Liability, (Total OPEB Liability for unfunded plans) on the balance sheet financial statements. Changes in Net OPEB Liability are required to be recognized as OPEB Expense on the income statement or reported as deferred outflows/inflows of resources depending on the nature of the change. Benefits provided by Cameron County to retirees only includes medical benefits for which the retiree pays a monthly premium. This benefit is not available after retiree reaches the age of 65. Cameron County administers a single-employer defined benefit variety that covers employees, retirees and their spouses. The plan provisions allow members to retire upon attaining age 60 with 8 or more years of service or when the sum of their age and years of service equals 75 or more. Dependents of retirees who are not eligible for Medicare are also eligible for medical insurance coverage while retiree is alive. Effective 10/1/07, retirees are not eligible for medical benefits after age 65. Participants under disability are eligible for continued medical coverage under COBRA but must pay the full premium. Cameron County does not offer dental, vision, hearing or life insurance benefits to retirees. Cameron County does not pre-fund benefits. Benefits are paid directly from general assets on a pay-as-go basis and there is no trust for accumulating plan assets. Local Government Code Section 157.101 assigns the authority to establish and amend benefit provisions to Commissioner's Court.

Monthly medical contributions required by retirees are as follows:

	<u>Retiree</u>	<u>Retiree & Spouse</u>	<u>Retiree & 1 Child</u>	<u>Retiree & Children</u>	<u>Retiree & Family</u>
Medical/Tx	\$ 250.78	\$575.98	\$500.98	\$532.23	\$657.23

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

Note 10 – Other Post Employment Benefits (continued)

Membership in the plan at 10/1/17, the date of the latest actuarial valuation, consists of the following:

Active Members:	79 members
Retirees and beneficiaries receiving benefits:	0 members

The valuation date of GASB75 for Cameron County is October 1, 2017, the date as of which the actuarial valuation was performed. Measurement date is September 30, 2018, the entity's fiscal year end. The OPEB liability was determined as of September 30, 2018 which is the reporting date. There have been no significant changes between the valuation date and the fiscal year end.

Valuation Date	October 1, 2017
Measurement Date	September 30, 2018
Actuarial Cost Method	Entry Age Normal

Discount Rate	October 1, 2017: 3.64%	September 30, 2018: 4.18%
---------------	------------------------	---------------------------

The discount rate is based on the Bond Buyer's 20 year General Obligation Index immediately prior to or coincident with the measurement date.

Inflation: 2.30%

OPEB LIABILITY	September 30, 2017	September 30, 2018
Bridge OPEB Liability	\$ 1,120,372	\$ 1,175,708
Covered Payroll	2,432,469	2,432,469
OPEB Liability as a % of covered payroll	46.06%	48.33%
OPEB Liability as a % of Total OPEB Liability	4.73%	4.80%

Total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB75.

Discount Rate	3.64%	4.18%
20 Year Tax-Exempt Municipal Bond Yield	3.64%	4.18%

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

Note 10 – Other Post Employment Benefits (continued)

Changes in Total OPEB Liability

	Incr(Decrease) Total OPEB Liability
Changes in Total OPEB Liability	
Balance as of September 30, 2017	\$ 23,709,576
Changes for the year:	
Service Cost	1,834,569
Interest on total OPEB Liability	917,369
Effect on plan changes	0
Effect on economic/demographic gains or losses	0
Effect of assumptions changes or inputs	(1,276,143)
Benefit Payments	(689,548)
Balance as of September 30, 2018	\$ 24,495,823

Information presented as CHANGES IN TOTAL OPEB LIABILITY is inclusive for the local government of Cameron County.

The following presents the total OPEB liability of CAMERON COUNTY, calculated using the 4.18%, as well as what County's total OPEB liability would be if it were calculated using a discount rate that is 1% point lower (3.18%) or 1 % point higher (5.18%) than the current rate.

	1% Decrease 3.18%	Discount Rate 4.18%	1% Increase 5.18%
Total OPEB liability	\$ 26,901,201	\$ 24,495,823	\$ 22,279,154

The following represents the total OPEB liability of Cameron County, calculated using the current healthcare cost trend rates as well as what the County's total OPEB liability would be if it were calculated using trend rates that are 1% point lower or 1% point higher than the current trend rates.

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 21,150,600	\$ 24,495,823	\$ 28,543,951

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

Note 10 – Other Post Employment Benefits (continued)

**OPEB - MULTIPLE EMPLOYER DEFINED BENEFIT GROUP TERM PLAN
 GROUP TERM LIFE FUND**

Cameron County participates in a cost-sharing multiple-employer defined-benefit group term life insurance plan operated by the Texas County & District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GTLF). The GTLF retiree death benefit paid from the Group Term Life (GTL) program is an OPEB benefit. This OPEB program is treated as an unfunded trust, because the GTL program covers both active and retirees and is not segregated. The TCDRS GTL program is an unfunded OPEB plan as the GTL fund does not meet the requirements of a trust fund under Paragraph 4b of GASB75, because the assets of GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan. For GASB75 purposes the OPEB plan is not a cost sharing plan, so the annual benefit payments are treated as being equal to the employers actual retiree GTL contributions for the year.

Information listed for OPEB Liability-GTL is inclusive for Cameron County.

Changes in Net OPEB Liability- GTL

	Increase(Decrease)
	Total OPEB
	Liability
	<hr/>
Balance as of December 31, 2016	\$ 2,529,728
Changes for the year:	
Service Cost	89,980
Interest on total OPEB Liability ⁽¹⁾	97,858
Effect of benefit terms ⁽²⁾	-
Effect of economic/demographic experience	(37,430)
Effect of assumptions changes or inputs ⁽³⁾	145,821
Benefit payments	(62,340)
Other	-
	<hr/>
Balance as of December 31, 2017	\$ 2,763,617

⁽¹⁾ Reflects change in liability due to time value of money

⁽²⁾ no plan changes valued.

⁽³⁾ Reflects discount rate change and assumptions based on
 1/1/13-12/31/16 Investigation Experience

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 10 – Other Post Employment Benefits (continued)

Additional Disclosures

Texas Local Government Code, Chapter 175 requires counties make available continued health benefits coverage to retirees and their dependents beyond the end of an individual's employment with County. Texas Law does not require counties to fund all or any portion of such coverage. Effective October 1, 2007, Cameron County discontinued medical coverage after age 65. The County may incur a debt obligation to pay for OPEB for its retired employees so long as the County follows the constitutional requirement that it have sufficient taxing authority available at the time such debt is incurred to provide the payment of the debt and has levied a tax for such purpose. Inclusion of OPEB expense/expenditures, related liabilities (assets), note disclosures are intended to achieve compliance with the requirements of GASB75. Cameron County has not incurred a legal debt obligation for OPEB nor has it levied a tax for the same. Currently, the County funds costs associated with OPEB on a current "pay as you go" basis for each single year through annual appropriations authorized by Commissioners Court during the annual County Budget Adoption Process.

GASB 75 was implemented during fiscal year 2018. Information and amounts presented in the County's Comprehensive Annual Financial Report relative to OPEB expense/expenditures, related liabilities (assets), note disclosures, and supplementary information are only intended to achieve compliance with the requirements of generally accepted accounting principles (GASB 75) and does not constitute or imply that the County has made a commitment or is legally obligated to provide OPEB benefits.

Note 11 – Interfund Receivables and Payables

The Cameron County International Toll Bridge System operates three international toll bridges: 1) Veteran's International Toll Bridge at Los Tomates (V.I.T.B), 2) Free Trade Bridge at Los Indios (Free Trade); and 3) Gateway International Toll Bridge (Gateway). Each bridge has an operating fund which funds the long-term debt as well as the debt reserve requirements.

Intra-system transfers are reflected in the individual bridge statements; however, the intra-system transfers and loans are not reflected in the System-wide statements provided on pages 1 through 4 in this report.

Interfund Fund	Interfund Receivable	Interfund Payable
Veterans Operating Bridge	\$ 21,198	\$ 504,515
Free Trade Bridge	326,385	21,198
Gateway Bridge	178,130	-
	<u>\$ 525,713</u>	<u>\$ 525,713</u>

Note 12 – Prior Period Adjustment

A prior period adjustment of \$450,337 is reflected due to GASB75 implementation as noted in Note 10.



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McCumber
& Longoria, LLP**
CPAs & Advisors

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Honorable County Judge
and Commissioners' Court
Cameron County, Texas

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Burton, McCumber, & Longoria LLP

Brownsville, Texas
March 28, 2019

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
SCHEDULE OF INSURANCE COVERAGE
SEPTEMBER 30, 2018

INSURER	COVERAGE	AMOUNT OF COVERAGE	POLICY EXPIRATION DATE	ASSETS COVERED	PREMIUM	DEDUCTIBLE
Zurich American Insurance Company	Gateway Bridge property damage	\$	7/1/2019	Bridge physical damage	18,574	\$25,000 all covered losses incl. covered property surveillance eqpt and earthquake, \$100,000 Flood, \$250,000 named storm, terrorism included
Zurich American Insurance Company	Gateway Bridge use and occupancy coverage	6,686,600	7/1/2019	Lost business income	10,302	7 Day waiting period
	Maximum per occurrence by earthquake, flood, storm	61,389,110				Aggregate annually in any one occurrence
Zurich American Insurance Company	Free Trade Bridge property damage	\$	7/1/2019	Bridge physical damage	18,574	\$25,000 all covered losses incl. covered property surveillance eqpt and earthquake, \$100,000 Flood, \$250,000 named storm, terrorism included
Zurich American Insurance Company	Free Trade Bridge use and occupancy	6,000,000	7/1/2019	Lost business income	10,302	7 Day waiting period
	Maximum per occurrence by earthquake, flood, storm	61,389,110				Aggregate annually in any one occurrence
Zurich American Insurance Company	Veterans Int. Bridge property damage	\$	7/1/2019	Bridge physical damage	18,575	\$25,000 all covered losses incl. covered property surveillance eqpt and earthquake, \$100,000 Flood, \$250,000 named storm, terrorism included
Zurich American Insurance Company	Veterans Int. Bridge use and occupancy	15,000,000	7/1/2019	Lost business income	10,302	7 Day waiting period
	Maximum per occurrence by earthquake, flood, storm	61,389,110				Aggregate annually in any one occurrence
Massachusetts Bay Insurance Company						
		500,000	7/1/2019	Public Employee Theft	7,721	7,500 per loss
		250,000	7/1/2019	Forgery or Alteration	5,000	
		150,000	7/1/2019	Inside Premises Security/Money Theft	1,500	
		150,000	7/1/2019	Inside/Outside Premises	1,500	
		500,000	7/1/2019	EDP/Money Orders/Counterfeit Curr	7,500/5000	
		500,000	7/1/2019	Fund Transfer	7,500	
Lloyds of London	Buildings, Ext Coverage, Malicious Mischief/Flood	582,027	7/1/2019	Building	1,698	10,000 each occurrence combined for all- repair/replacement cost as listed above
Colony Insurance Company	Buildings, Ext Coverage, Malicious Mischief/Flood	53,608	7/1/2019	Contents		as listed above
Velocity Risk Underwriters Carriers	Buildings, Ext Coverage, Malicious Mischief/Flood	119,000	7/1/2019	EDP		as listed above
Lloyds of London	Buildings, Ext Coverage, Malicious Mischief/Flood	1,725,002	7/1/2019	Building	4,592	10,000 each occurrence combined for all- repair/replacement cost as listed above
Colony Insurance Company	Buildings, Ext Coverage, Malicious Mischief/Flood	45,784	7/1/2019	Contents		as listed above
Velocity Risk Underwriters Carriers	Buildings, Ext Coverage, Malicious Mischief/Flood	270,000	7/1/2019	EDP		as listed above
Lloyds of London	Buildings, Ext Coverage, Malicious Mischief/Flood	399,500	7/1/2019	Building	1,369	10,000 each occurrence combined for all- repair/replacement cost as listed above
Colony Insurance Company	Buildings, Ext Coverage, Malicious Mischief/Flood	25,000	7/1/2019	Contents		as listed above
Velocity Risk Underwriters Carriers	Buildings, Ext Coverage, Malicious Mischief/Flood	94,000	7/1/2019	EDP		as listed above
Texas Association of Counties	Automobile Liability - International Toll Bridge System	100,000/300,000	7/1/2019	Bodily Injury per person/per occurrence		Deductible \$1,000
		100,000		Property Damage	3,573	
Texas Association of Counties	Auto physical damage, comprehensive/collision	Cash value or cost of repair	7/1/2019	Vehicles		Deductible \$5,000
Texas Association of Counties	General Liability	100,000/300,000	7/1/2019	Bodily Injury per person/per occurrence		Deductible \$5,000
		100,000/100,000		Property damage per occurrence/aggregate		Deductible \$5,000
		50,000		Garage Keepers Liability		Deductible \$1,000
		500,000.00		Employee Benefits Liability		Deductible \$1,000
		100,000/300,000		Person & Advertising Injury Liability/Aggregate		Deductible \$5,000
		5,000		Medical payment per person		
Texas Association of Counties	Workers Compensation - self insured	1,000,000	1/1/2018	Death by accident per accident	299,421	\$100,000/\$1,000,000
		1,000,000		Death by disease each Claimant		\$100,000/\$1,000,000
		2,000,000		Aggregate per coverage period		\$100,000/\$1,000,000



CAMERON COUNTY, TEXAS
International Toll Bridge system
GATEWAY INTERNATIONAL TOLL BRIDGE
STATEMENT OF NET POSITION
Year Ended September 30, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 7,307,611
Accounts Receivable	154,856
Prepaid expenses	32,828
Due from other funds	178,130
Due from other Governments	<u>2,336,831</u>

TOTAL CURRENT ASSETS	<u>10,010,256</u>
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RESTRICTED ASSETS

Revenue Bond Debt Service Fund:	
Cash & cash equivalents	394,402
Revenue Bond Operating Reserve Fund:	
Cash & cash equivalents	441,916
Capital Improvements Fund:	
Cash & Cash Equivalents	<u>5</u>

TOTAL RESTRICTED ASSETS	<u>836,323</u>
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CAPITAL ASSETS

Depreciable Assets:	
Toll bridges and approaches	4,594,497
Toll booths and equipment	1,419,424
Administration building	437,137
Furniture, fixtures, and equipment	24,972
Vehicles	<u>67,097</u>
	6,543,127
Less: accumulated depreciation	<u>(4,403,369)</u>
Net depreciable assets	2,139,758
Land	4,684,845
Construction in Process	<u>54,350</u>

TOTAL CAPITAL ASSETS	<u>6,878,953</u>
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DEFERRED OUTFLOW OF RESOURCES

Differences between projected and actual earnings-Med	139,386
Differences between projected and actual earnings-Ret	<u>4,527</u>
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>143,913</u>

TOTAL ASSETS	<u>\$ 17,869,445</u>
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CAMERON COUNTY, TEXAS
International Toll Bridge system
GATEWAY INTERNATIONAL TOLL BRIDGE
STATEMENT OF NET POSITION
Year Ended September 30, 2018

LIABILITIES

LIABILITIES

Current Liabilities (payable from Current Assets):

Accounts payable	\$ 19,755
Wages and fringe benefits payable	42,763
Accrued Uncompensated Absences	6,626
Due to Other Governments	1,018,540
Total Current Liabilities (payable from Current Assets)	<u>1,087,684</u>

Current Liabilities (payable from

Restricted Assets):

Deposits	14,750
Current maturities of Certificates of Obligation	197,374
Capital Lease Payable	9,141
Total Current Liabilities (payable from Restricted Assets)	<u>221,265</u>

Long-Term Liabilities:

Certificates of Obligation	2,691,891
Less: Unamortized discount	19,374
Capital Lease Payable	18,282
Unfunded Actuarial Accrued Liability	500,527
Pension Liability	170,132
Total Long-Term Liabilities	<u>3,400,206</u>

DEFERRED INFLOW OF RESOURCES

Difference between expected and actual earnings-Med	119,864
Difference between expected and actual earnings-Ret	29,824

TOTAL DEFERRED INFLOW OF RESOURCES	<u>149,688</u>
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TOTAL LIABILITIES	<u>4,858,843</u>
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NET POSITION

Net investment in capital assets	3,981,644
Restricted For:	
Capital Improvements	5
Revenue Bond Debt Service	394,402
Revenue Bond Debt Reserve	441,916
Revenue Bond Operating Reserve	250,000
Unrestricted	<u>7,942,635</u>

TOTAL NET POSITION	<u>\$ 13,010,602</u>
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The notes to the financial statements are an integral part of this statement.

CAMERON COUNTY, TEXAS
International Toll Bridge system
GATEWAY INTERNATIONAL TOLL BRIDGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended September 30, 2018

OPERATING REVENUES

Tolls	\$ 7,004,706
Rental income	225,250
Miscellaneous	639
TOTAL OPERATING REVENUES	<u>7,230,595</u>

OPERATING EXPENSES

Salaries	865,853
Employee benefits	376,914
Supplies	19,598
Uniforms	10,834
Audit and legal	6,647
Other Pension Costs	79,630
Other Professional Service	2,642
Repairs and maintenance	24,134
Travel	705
Utilities	32,310
Advertising	20,326
Insurance	26,782
Contractual	10,866
Depreciation	233,324
Other	10,429
TOTAL OPERATING EXPENSES	<u>1,720,994</u>

OPERATING INCOME (LOSS)	<u>5,509,601</u>
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NON-OPERATING REVENUES (EXPENSES)

Interest on investments and receivables	93,190
Interest and fiscal fees on revenue bonds	<u>(136,761)</u>

TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(43,571)</u>
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INCOME BEFORE TRANSFERS	5,466,030
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Transfer Out	312,565
Transfer Out General Fund	(5,449,952)
Transfer Out I&S Fund	<u>(249,568)</u>

CHANGE IN NET POSITION	79,075
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Net Position - beginning	12,764,902
Prior Period Adjustment	<u>166,625</u>
Net Position - ending	<u>\$ 13,010,602</u>

The notes to the financial statements are an integral part of this statement.

CAMERON COUNTY, TEXAS
International Toll Bridge System
FREE TRADE BRIDGE AT LOS INDIOS
STATEMENT OF NET POSITION
Year Ended September 30, 2018

ASSETS

CURRENT ASSETS

Cash & cash equivalents	\$ 410,971
Due from other funds	326,385
Prepaid expenses	23,173
TOTAL CURRENT ASSETS	<u>760,529</u>

RESTRICTED ASSETS

Revenue Bond Debt Service Fund:	
Cash & Cash Equivalents	230,243
Revenue Bond Debt Reserve Fund:	
Cash & Cash Equivalents	283,235
Capital Improvements Fund:	
Cash & Cash Equivalents	11,364
TOTAL RESTRICTED ASSETS	<u>524,842</u>

CAPITAL ASSETS

Depreciable Assets:	
Toll bridges and approaches	6,373,080
Toll booths and equipment	753,457
Administration building	853,645
Furniture, fixtures, and equipment	13,511
Vehicles	106,807
	<u>8,100,500</u>
Less: accumulated depreciation	(6,856,381)
Net depreciable assets	<u>1,244,119</u>
Land	<u>910,775</u>
TOTAL CAPITAL ASSETS	<u>2,154,894</u>

DEFERRED OUTFLOW OF RESOURCES

Differences between projected and actual earnings-Med	79,111
Differences between projected and actual earnings-Ret	2,570
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>81,681</u>

TOTAL ASSETS	<u>\$ 3,521,946</u>
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CAMERON COUNTY, TEXAS
International Toll Bridge System
FREE TRADE BRIDGE AT LOS INDIOS
STATEMENT OF NET POSITION
Year Ended September 30, 2018

LIABILITIES

LIABILITIES

Current Liabilities (payable from current assets)

Accounts payable	\$ 16,205
Wages and fringe benefits payable	24,100
Accrued Uncompensated Absences	2,537
Due to other Governments	1,948,244
Due to other funds	21,198
Total Current Liabilities (payable from Current Assets)	<u>2,012,284</u>

Current Liabilities (payable from Restricted Assets):

Deposits	2,067
Current Maturities of Certificate of Obligation	22,825
Capital Lease Payable	21,246
Total Current Liabilities (payable from Restricted Assets)	<u>46,138</u>

Long-Term Liabilities:

Certificates of Obligation	263,179
Capital Lease Payable	42,491
Unfunded Actuarial Accrued Liability	246,977
Pension Liability	96,561
Total Long-Term Liabilities	<u>649,208</u>

DEFERRED INFLOW OF RESOURCES

Differences between expected and actual experience-Med	68,031
Differences between expected and actual experience-Ret	16,927
TOTAL DEFERRED INFLOW OF RESOURCES	<u>84,958</u>

TOTAL LIABILITIES

2,792,588

NET POSITION

Net investment in capital assets	1,816,517
Restricted For:	
Capital Improvements	11,364
Restricted for Revenue Bond Debt Service	230,243
Restricted for Revenue Bond Debt Reserve	283,235
Unrestricted	<u>(1,612,001)</u>
TOTAL NET POSITION	<u>\$ 729,358</u>

The notes to the financial statements are an integral part of this statement.

CAMERON COUNTY, TEXAS
International Toll Bridge System
FREE TRADE BRIDGE AT LOS INDIOS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended September 30, 2018

OPERATING REVENUES

Tolls	\$ 2,543,085
Rental Income	44,900
Miscellaneous	152
TOTAL OPERATING REVENUES	<u>2,588,137</u>

OPERATING EXPENSES

Salaries	511,478
Employee benefits	211,413
Supplies	17,586
Uniforms	5,867
Audit and legal	6,647
Other Pension Costs	45,196
Other Professional Service	2,642
Advertising	32,506
Repairs and maintenance	15,250
Travel and Training	1,500
Utilities	48,375
Insurance	28,042
Contractual	23,637
Depreciation	194,431
Other	19,445
TOTAL OPERATING EXPENSES	<u>1,164,015</u>

OPERATING INCOME (LOSS)	<u>1,424,122</u>
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NON-OPERATING REVENUES (EXPENSES)

Intergovernmental agreement-Hgn. & San Benito	(702,086)
Interest on investments and receivables	12,572
Interest on revenue bonds & fiscal fees	(43,387)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(732,901)</u>
INCOME BEFORE TRANSFERS	<u>691,221</u>
Transfer Out General Fund	(711,754)
Transfer Out I&S Fund	(71,545)
Transfer In Operating	6,330
CHANGE IN NET POSITION	<u>(85,748)</u>
Net Position - beginning	720,535
Prior Period Adjustment	94,571
Net Position - ending	<u><u>\$ 729,358</u></u>

The notes to the financial statements are an integral part of this statement.

CAMERON COUNTY, TEXAS
International Toll Birdge System
VETERANS INTERNATIONAL TOLL BRIDGE
STATEMENT OF NET POSITION
Year Ended Sptember 30, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 2,005,160
Accounts Receivable	2,000
Prepaid Expenses	27,379
Due from other funds	<u>327,100</u>

TOTAL CURRENT ASSETS	<u>2,361,639</u>
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RESTRICTED ASSETS

Revenue Bond Debt Service Fund:	
Cash and cash equivalents	946,873
Revenue Bond Debt Reserve Fund:	
Cash and cash equivalents	1,329,937
Capital Improvements Fund:	
Cash and cash equivalents	<u>1,584,689</u>

TOTAL RESTRICTED ASSETS	<u>3,861,499</u>
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CAPITAL ASSETS

Depreciable Assets:	
Toll bridges and approaches, and toll booths	25,885,220
Administration building	2,696,179
Furniture, fixtures, and equipment	1,221,565
Vehicles	<u>273,886</u>
	30,076,850
Less: accumulated depreciation	<u>(15,690,333)</u>
Net depreciable assets	14,386,517
Land	577,403
Construction in Progress	<u>484,039</u>

TOTAL CAPITAL ASSETS	<u>15,447,959</u>
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DEFERRED OUTFLOW OF RESOURCES

Differences between projected and actual earnings-Med	158,223
Differences between projected and actual earnings-Ret	<u>5,141</u>
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>163,364</u>

TOTAL ASSETS	<u>\$ 21,834,461</u>
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CAMERON COUNTY, TEXAS
International Toll Bridge System
VETERANS INTERNATIONAL TOLL BRIDGE
STATEMENT OF NET POSITION
Year Ended September 30, 2018

LIABILITIES

LIABILITIES

Current Liabilities (payable from Current Assets):

Accounts payable	\$ 153,142
Wages & Fringes Payable	65,217
Accrued Uncompensated Absences	28,523
Deposits	216,761
Due to Other governments	1,655,646
Due to Other Funds	810,417
Total Current Liabilities (payable from Current Assets)	<u>2,929,706</u>

Current Liabilities (payable from Restricted Assets):

Reserve	75,688
Current Maturities of Revenue & CO Bonds	1,059,137
Capital Lease Payable	<u>16,011</u>

Total Current Liabilities (payable from Restricted Assets)	<u>1,150,836</u>
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Long-Term Liabilities:

Certificates of Obligation	5,655,044
Less: Unamortized discount and issue costs	26,640
Capital Lease Payable	32,021
Unfunded Actuarial Accrued Liability	622,707
Pension Liability	193,123
Total Long-Term Liabilities	<u>6,529,535</u>

DEFERRED INFLOW OF RESOURCES

Differences between expected and actual experience-Med	136,063
Differences between expected and actual experience-Ret	<u>33,854</u>

TOTAL DEFERRED INFLOW OF RESOURCES	<u>169,917</u>
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TOTAL LIABILITIES	<u>10,779,994</u>
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NET POSITION

Net investment in capital assets	10,297,075
Restricted For:	
Capital Improvements	1,584,689
Revenue Bond Debt Service	946,873
Revenue Bond Debt Reserve	1,329,937
Unrestricted	<u>(3,104,107)</u>

TOTAL NET POSITION	<u><u>\$ 11,054,467</u></u>
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The notes to the financial statements are an integral part of this statement.

International Toll Bridge System
VETERANS INTERNATIONAL TOLL BRIDGE
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 Year Ended September 30, 2018

OPERATING REVENUES

Tolls	\$ 9,886,331
Rental Income	187,000
Miscellaneous	1,968
TOTAL OPERATING REVENUES	10,075,299

OPERATING EXPENSES

Salaries	1,336,748
Employee benefits	530,155
Supplies	56,786
Uniforms	11,859
Audit and legal	6,647
Other Pension Costs	90,389
Other professional services	6,142
Repairs and maintenance	53,116
Travel and Training	28,347
Utilities	45,407
Advertising	29,821
Insurance	30,751
Contractual	29,247
Depreciation	1,249,883
Other	33,087
TOTAL OPERATING EXPENSES	3,538,385

OPERATING INCOME (LOSS)	6,536,914
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NON-OPERATING REVENUES (EXPENSES)

Intergovernmental agreement-City of Brownsville	(2,664,756)
Interest on investments and receivables	62,316
Interest on revenue bonds & fiscal fees	(343,414)

TOTAL NON-OPERATING REVENUES (EXPENSES)	(2,945,854)
INCOME BEFORE TRANSFERS	3,591,060

Transfer Out General Fund	(2,866,241)
Transfer Out I&S Fund	(256,324)
Transfer (Operating)	(318,895)

CHANGE IN NET POSITION	149,600
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Net Position - beginning	10,715,726
Prior Period Adjustment	189,141

Net Position - ending	\$ 11,054,467
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The notes to the financial statements are an integral part of this statement.



Cameron County, Texas
International Toll Bridge System
Schedule of Combined Debt Service Requirements

<u>DUE</u>	<u>Principal February/November</u>	<u>Interest February/November</u>	<u>Interest August/November</u>	<u>Fiscal Year Requirements</u>
				-
2019	1,279,336	224,772	195,058	1,699,166
2020	696,000	195,058	179,267	1,070,325
2021	760,273	179,267	161,371	1,100,911
2022	799,082	161,371	141,393	1,101,846
2023	839,799	141,393	120,399	1,101,591
2024	880,276	120,399	99,669	1,100,344
2025	922,418	99,669	77,938	1,100,025
2026	938,144	77,938	54,485	1,070,567
2027	979,814	54,485	37,964	1,072,263
2028	787,525	37,965	23,091	848,581
2029	320,340	23,091	15,884	359,315
2030	335,595	15,884	8,333	359,812
2031	350,848	8,333	-	359,181
TOTAL	<u>\$ 9,889,450</u>	<u>\$ 1,339,625</u>	<u>\$ 1,114,852</u>	<u>\$ 12,343,927</u>

Cameron County, Texas
\$7,950,000 International Toll Bridge System
Revenue Bonds, Series 1998

<u>DUE</u>	<u>Principal November 1</u>	<u>Interest November 1</u>	<u>Interest May 1</u>	<u>Fiscal Year Requirements</u>
2019	615,000	14,145		629,145
TOTAL	<u>\$ 615,000</u>	<u>\$ 14,145</u>	<u>\$ -</u>	<u>\$ 629,145</u>

MBIA Insured, S&P "AAA"

Private Placement to Nationsbank, N.A.

Dated August 1, 1998 Delivery September 10, 1998

Cameron County, Texas
\$4,494,300 Certificates of Obligation, Series 2011

	<u>PRINCIPAL FEBRUARY 15</u>	<u>INTEREST FEBRUARY 15</u>	<u>INTEREST AUGUST 15</u>	<u>FISCAL YEAR REQUIREMENTS</u>
2019	207,840	78,626	74,470	360,936
2020	214,514	74,470	70,716	359,700
2021	222,141	70,716	66,273	359,130
2022	232,628	66,273	60,457	359,358
2023	245,022	60,457	54,332	359,811
2024	255,510	54,332	49,221	359,063
2025	265,997	49,221	43,901	359,119
2026	279,391	43,901	36,942	360,234
2027	291,739	36,942	30,742	359,423
2028	306,040	30,742	23,091	359,873
2029	320,340	23,091	15,884	359,315
2030	320,340	15,884	8,333	344,557
2031	320,340	8,333	-	328,673
TOTAL	<u>\$ 3,481,842</u>	<u>\$ 612,988</u>	<u>\$ 534,362</u>	<u>\$ 4,629,192</u>

Cameron County, Texas
\$6,031,072 Limited Tax Refunding Bonds, Series 2015

	<u>PRINCIPAL FEBRUARY 15</u>	<u>INTEREST FEBRUARY 15</u>	<u>INTEREST AUGUST 15</u>	<u>FISCAL YEAR REQUIREMENTS</u>
2019	456,496	132,001	120,588	709,085
2020	481,486	120,588	108,551	710,625
2021	538,132	108,551	95,098	741,781
2022	566,454	95,098	80,936	742,488
2023	594,777	80,936	66,067	741,780
2024	624,766	66,067	50,448	741,281
2025	656,421	50,448	34,037	740,906
2026	659,753	34,037	17,543	711,333
2027	688,075	17,543	7,222	712,840
2028	481,485	7,223		488,708
TOTAL	<u>\$ 5,747,845</u>	<u>\$ 712,492</u>	<u>\$ 580,490</u>	<u>\$ 7,040,827</u>

The Right Choice.

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McCumber
& Longoria, LLP
CPAs & Advisors

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable County Judge and
Commissioners' Court
Cameron County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the International Toll Bridge System of Cameron County, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated March 28, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the International Toll Bridge System of Cameron County, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the International Toll Bridge System's internal control. Accordingly, we do not express an opinion on the effectiveness of the International Toll Bridge System's internal control

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the International Toll Bridge System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Burton, McCumber, & Longoria LLP

Brownsville, Texas
March 28, 2019